Notes on meeting with Bill Ryan
December 16, 1992

1. **Canada** - He said that RBH Canada management and Board was very distressed over PM's deal with Imperial Tobacco in Canada on the Players brand. He wanted to know if this was a signal that the years of cooperation we had had together in some areas was changing. I assured him that there was no change, that we still looked to work together where that was possible e.g. distribution in Australia. At the same time, I made it clear that in no way did we share the RBH view that our deal with Imperial was competitive. That was the end of that subject.

2. **Philippines** - He said he was concerned about the proposed amendment to the law requiring manufacturers of licensed products to export 50% of their volume. I agreed with this and our management in Asia is working on the problem.

3. **Australia** - He reactivated the idea that we invest in Rothmans Australia. This would be PM acquiring the public holding of 50% in Rothman Holdings Australia. This is different to the merger proposition discussed previously and abandoned. I told him that our lawyers advised us that a merger would not fly and that we thought McComas, Chairman of Wills and ex-head of the TPC, would be a formidable opponent should we merge. In a 50% acquisition scheme, he felt we could still keep the Sydney and Melbourne plants and rationalize production, with our 30s in one plant and all 40's in another, etc. and maybe even merge the sales force although I could not see how this could work if we were obliged to compete. The advantage today is that the Rothmans share price is A$4.70 a share versus A$15.00 when we were talking before. On the other hand, this drop in value reflects the state of their business. He believed that it would be good for us to acquire 50% of the business. It would essentially result in two competitors in Australia the same as in New Zealand, the government believes that the industry in Australia is terminal anyway and probably would not oppose the deal and we would get a share of their business in New Zealand, Papua New Guinea, Fiji, Indonesia, and the Philippines. We talked about the issue for quite a while and I told him that we would revisit it and we would get back to him.

4. **Nigeria** - He talked about our brand Bond Street which sells in West Africa but nothing came of the discussion. More importantly, he asked if we would

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license them Marlboro when they complete their plant in Nigeria. I told him that we were already licensed to ITC and I wished that they had acquired the 35% of ITC currently owned by El Khalil. We talked a fair bit about this and we tended to go no where other than that I told him that I thought that the El Khalil had a potential buyer. He said "is he local" and I said "yes, I think he is". If our deal in Nigeria does fall through, I will get back to him. He did not seem to know much about the status of their Greenfield plant other than that it was in Kaduna. I would have thought that if we were to ask Alan Northcott in Lagos, he would have a more accurate view. If they have not started building, I would have thought there is a good chance we could resurrect the idea of them buying ITC from El Khalil. I guess their real problem is that they do not want to share any of their big profits with anyone.

5. **Counterfeit** - I asked for his cooperation on this matter which he said they would gladly give. He announced that they had found that Sampoena in Indonesia had been the culprit manufacturing counterfeit and embarrassingly the printing plant in Malaysia in which they had a 35% interest had been making the blanks for the counterfeit products. He said it had all been shut down. I told him of our leads in general terms and he said they would be glad to help and subsequently our people have been in touch with his management.

6. **China** - He asked if we would license them Marlboro. He said their production limit had been increased to 5 billion units. I told him it was premature to talk about that and he said there would be no more joint ventures in China and it would be good for us to work with them. I said that we would think about it but wanted to exhaust other opportunities first.

7. **Turkey** - He asked if we would manufacture their brands under license in Turkey. They were going nowhere and would like to work with us. Andreas to whom I spoke later is very interested in this idea and as a trade-off we might be able to work the Muratti Ambassador trademark rights into the deal. This should be progressed quickly.

8. **Australia Distribution** - He told me that he thought discussions on this project had ceased. I said that my information was the opposite. As recently as two weeks ago, we presented a proposal and I believed that it was being seriously reviewed. He confirmed my information was later than his.

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9. **Bolloré** - I asked him why he had bought 4% of Albatross, the Bolloré holding company and had not bought directly into the cigarette company which I think is Coralma. He did not give a direct answer but did say that he was interested in working with them because of their relatively strong position in the nine countries they operate in. I said that we were interested and perhaps we should look into seeing if there is a way we could work jointly to buy Coralma. Perhaps Andreas would see if there is any merit in pursuing this approach.

10. **Australia** - I told him about our great concern over the warning label and Ad ban issues in Australia, and generally the extremely hostile environment which has the potential to spread worldwide. I told him we were appointing a top man and devoting considerable resources to the matter and would they in turn upgrade their effort and work with us to create an industry platform. He said they have already done that and sent Tony Wood who was in the U.K. down to Australia. David Davies will be in touch with Tony when he gets in Australia. He also added that he felt things were looking good in every state except Western Australia and he worried very much that they might issue regulations prior to the upcoming election which may take place in February and that could be a problem.

11. **U.K.** - I asked him how the U.K. business was doing and he said that he was optimistic. Rothmans Royale 25's is doing well at 4 share points and now has some margin. He thought that Gallaher was beginning to suffer and that it was an opportunity to increase our business but that without some price initiative, things would not have improved. He thinks that they are now in better shape because of Rothmans Royale.

The meeting was extremely cordial with the exception of the Canadian difficulty but I believe that is behind Bill anyway. I assured him that we would be delighted to look at any sensible ideas to work together just as we have in the past in the U.K. and Canada. I agreed to look at the Australia idea and Turkey, and I will get back to him shortly on both.

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